

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**August 2010**

**OFFICE OF MANAGEMENT AND BUDGET**

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## MESSAGE FROM THE DIRECTOR

Thirteen months into the 2009-11 biennium, state revenues in North Dakota are very close to original projections – just 2.2 percent below the forecast. It is encouraging to note that revenues during the first thirteen months of the 2009-11 biennium were 11.1 percent higher than during the same period of the 2007-09 biennium and fiscal year 2010 revenues were 13.4 percent higher than 2009. This is in contrast to the rest of the country where, as reported by Moody's Economy.com in its August 2010 Précis U.S. Macro publication, states are dealing with an "average decline in fiscal 2010 of 1.5%."

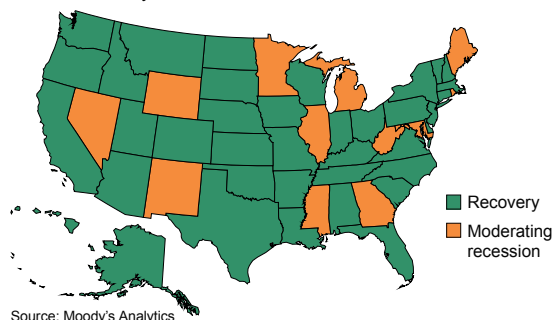
In recent months, Moody's has become slightly less optimistic in its national forecast as the economy continues on a slow pace of recovery. Estimates for gross domestic product growth have been revised downward by .3 percent in the current year and .5

percent in 2011. Unemployment rate projections have been revised upward from 9.5 percent to 9.8 percent in 2011 and from 7.5 percent to 8.2 percent in 2012. Moody's is not predicting that the nation will slip into a double dip recession, but has lowered recovery expectations in the near term.

State economies are improving, but still fragile. As shown below, most states are in recovery. Moody's reports that despite "dealing with estimated combined deficits for fiscal 2011 and fiscal 2012 of at least \$85 billion," revenues are improving. "State's three largest revenue streams have improved in recent months, with personal income tax and sales tax receipts growing on a year-over-year basis for the first time since the third quarter of 2008. Corporate income taxes, while significantly improved, are still declining, however."

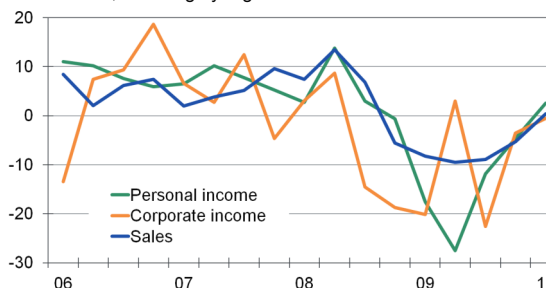
### State Recoveries Still Fragile

Status as of May 2010 data



### State Taxes Growing Again

Tax revenue, % change yr ago



## OIL ACTIVITY

The legislative revenue forecast for the 2009-11 biennium is based on gradually increasing oil price and production – starting at \$40 per barrel and 205,000 barrels per day and ending the biennium at \$55 per barrel and production of 225,000 barrels per day. Currently, the posted price for North Dakota sweet crude is around \$64 per barrel. Production jumped to a new all time record in June. The current rig count is 138 rigs, 92 more than the number operating in the state only one year ago. Price, production, and drilling activity are summarized on the following table:

	June 2010	May 2010	April 2010
Actual average price per barrel	\$64.76	\$62.91	\$75.41
Production (barrels/day)	315,300	298,000	284,400
Drilling permits	128	102	106
Producing wells	4,979	4,893	4,810
Rig count	125	114	107

Comments or Questions?  
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## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2009-11 Biennium July 2010

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2009 Leg. Forecast	Actual	Variance	Percent	May 2009 Leg. Forecast	Actual	Variance	Percent
Sales Tax	50,701,000	47,527,825	(3,173,175)	-6.3%	609,198,000	601,781,151	(7,416,849)	-1.2%
Motor Vehicle Excise Tax	3,600,000	5,272,490	1,672,490	46.5%	43,139,000	60,749,389	17,610,389	40.8%
Individual Income Tax	38,816,000	31,820,718	(6,995,282)	-18.0%	360,015,000	333,459,052	(26,555,948)	-7.4%
Corporate Income Tax		380,147	380,147	100.0%	120,164,000	88,254,740	(31,909,260)	-26.6%
Insurance Premium Tax		59,642	59,642	100.0%	31,635,000	31,311,957	(323,043)	-1.0%
Financial Institutions Tax		56,175	56,175	100.0%	4,750,000	2,886,840	(1,863,160)	-39.2%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	613,232	103,620	(509,612)	-83.1%	8,912,398	8,305,816	(606,582)	-6.8%
Lottery					5,577,500	5,100,000	(477,500)	-8.6%
Cigarette & Tobacco Tax	1,993,000	2,019,978	26,978	1.4%	24,962,000	24,455,293	(506,707)	-2.0%
Wholesale Liquor Tax	657,000	759,368	102,368	15.6%	7,371,000	8,127,240	756,240	10.3%
Coal Conversion Tax					22,323,000	21,113,869	(1,209,131)	-5.4%
Mineral Leasing Fees	2,000,000	1,435,157	(564,843)	-28.2%	12,200,000	9,469,061	(2,730,939)	-22.4%
Departmental Collections	1,839,474	1,106,644	(732,830)	-39.8%	31,814,717	34,298,592	2,483,875	7.8%
Interest Income	178,433	274,892	96,459	54.1%	13,201,639	23,675,340	10,473,701	79.3%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer					2,367,918	6,260,457	3,892,539	164.4%
Oil tax trust fund-Transfer					295,000,000	295,000,000	0	0.0%
Other Transfers	161,000	161,000	0	0.0%	805,000	1,924,678	1,119,678	139.1%
<b>Total Revenues and Transfers</b>	<b>100,559,139</b>	<b>90,977,655</b>	<b>(9,581,484)</b>	<b>-9.5%</b>	<b>1,664,436,172</b>	<b>1,627,173,474</b>	<b>(37,262,698)</b>	<b>-2.2%</b>

\* For the month of July, there were no allocations of oil tax revenue to the permanent oil tax trust fund due to the allocation of July revenues to the month June to close out fiscal year 2010. Oil tax collections totaling \$331.3 million have been allocated to the permanent oil tax trust fund through July 31, 2010 and are not reflected on this report.

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2009-11 Biennium July 2010

Revenues and Transfers	Fiscal Month				Biennium To Date			
	July 2008	July 2010	Variance	Percent	2007-09	2009-11	Variance	Percent
Sales Tax	53,548,258	47,527,825	(6,020,433)	-11.2%	541,427,041	601,781,151	60,354,110	11.1%
Motor Vehicle Excise Tax	6,111,874	5,272,490	(839,384)	-13.7%	73,012,930	60,749,389	(12,263,541)	-16.8%
Individual Income Tax	33,544,196	31,820,718	(1,723,479)	-5.1%	340,315,524	333,459,052	(6,856,472)	-2.0%
Corporate Income Tax	950,447	380,147	(570,300)	-60.0%	141,688,146	88,254,740	(53,433,406)	-37.7%
Insurance Premium Tax	2,583	59,642	57,059	2209.0%	33,593,128	31,311,957	(2,281,171)	-6.8%
Financial Institutions Tax	737,755	56,175	(681,580)	-92.4%	6,499,157	2,886,840	(3,612,318)	-55.6%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	731,615	103,620	(627,995)	-85.8%	10,632,921	8,305,816	(2,327,105)	-21.9%
Lottery					5,300,000	5,100,000	(200,000)	-3.8%
Cigarette & Tobacco Tax	2,029,548	2,019,978	(9,571)	-0.5%	24,643,235	24,455,293	(187,942)	-0.8%
Wholesale Liquor Tax	621,277	759,368	138,092	22.2%	7,537,150	8,127,240	590,090	7.8%
Coal Conversion Tax	2,076,741		(2,076,741)	-100.0%	25,920,152	21,113,869	(4,806,283)	-18.5%
Mineral Leasing Fees	1,209,980	1,435,157	225,177	18.6%	11,722,654	9,469,061	(2,253,593)	-19.2%
Departmental Collections	1,563,147	1,106,644	(456,504)	-29.2%	31,132,380	34,298,592	3,166,212	10.2%
Interest Income	327,168	274,892	(52,276)	-16.0%	24,206,030	23,675,340	(530,690)	-2.2%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer						6,260,457	6,260,457	100.0%
Oil Tax Trust Fund-Transfer					115,000,000	295,000,000	180,000,000	156.5%
Other Transfers	160,667	161,000	333	0.2%	839,936	1,924,678	1,084,741	129.1%
<b>Total Revenues and Transfers</b>	<b>103,615,257</b>	<b>90,977,655</b>	<b>(12,637,602)</b>	<b>-12.2%</b>	<b>1,464,470,385</b>	<b>1,627,173,474</b>	<b>162,703,090</b>	<b>11.1%</b>

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## VARIANCES

July 2010 revenues were \$91.0 million, \$9.6 million less than projected in the legislative forecast. Notable variances for the month are as follows:

- **Sales tax** collections for the month are \$3.2 million less than the legislative forecast, bringing biennium to date collections 1.2 percent below the forecast. Based on tax collections received in the beginning of August, this shortfall appears to be a timing issue. Sales tax collections for the biennium to date are 11.1 percent higher than during the first thirteen months of the 2007-09 biennium. When viewed in combination with motor vehicle excise tax collections, the combined total of sales and excise taxes is \$10.2 million higher than estimated.
- **Motor vehicle excise tax** collections again exceed the legislative forecast -- by \$1.7 million for the month and \$17.6 million for the biennium to date.
- **Individual income tax** collections were lower than anticipated, missing the forecast by \$7.0 million for the month. Based on tax collections received in August, this appears to be a timing issue that will be reversed with August collections.
- **Gaming tax** collections fell short of projections by over \$500,000 for the month, but had tracked closely with the forecast in prior months. The July variance appears to be a timing issue related to the end of the month falling on a weekend.
- **Departmental collections** remain above forecast by nearly 8.0 percent for the biennium to date, despite a shortfall of over \$700,000 in the current month.

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